American Banker

BIG DEALS OF 1986 — TABLES BEGIN ON PAGE 19

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TODAY

THE AGREEMENT BETWEEN U.S. and Britain on common standards of bank-capital adequacy should ultimately make for a safer and more equitable global banking system, says a key British negotiator..... 2

THE DOLLAR RESUMED its slide on the foreign exchanges Monday, and dealers in London expect the downward movement to continue..... 2

PROMOTIONS IN THE *American Banker's* news department were announced Monday, including that of Thomas J. Ferris to news editor.... 2

THE BANK BOARD'S new appraisal rules were assailed by industry critics at a conference in Dallas..... 3

GERALD D. BARRONE, sworn in last Thursday as a director of the Federal Home Loan Bank of San Francisco, resigned as president, CEO, and a director of Citadel Holding Corp. and its principal subsidiary..... 3

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MARKETING TODAY

On target

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THE LAST OF THREE PARTS of a Federal Reserve Board staff report on the joint U.S.-British plan for uniform bank-capital requirements...32

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Quote

When a bank comes back from the brink of financial disaster, its advertising should tell potential customers that it's a responsible, trustworthy institution. But this ludicrous series . . . makes the Continental Illinois bank . . . look like a refugee from television's 'Gong Show.'

Adweek, in its Fifth Annual Badvertising Awards, citing a series of Continental Illinois National Bank and Trust Company of Chicago ads — one of which depicts a spokesman twirling a hoola hoop around his neck to music as an 800 number appears on the screen pushing loan applications. [Page 6]

Unquote

Some Banking Myths Shattered in '86

By BART FRAUST

NEW YORK — Bankers began to think the unthinkable last year. In the process, they shattered several myths about bank mergers and acquisitions as the aggressive takeover environment common in corporate America began to spread to the previously protected world of banking.

For example, the idea that some banks are too big to be sold was disproved. Eight of the 10 largest domestic bank mergers ever were announced last year, including a pair of billion-dollar deals: the acquisitions of the Crocker National Corp. by Wells Fargo & Co. and of Texas Commerce Bancshares Inc. by the Chemical New York Corp.

Three bank holding companies that had ranked among the nation's 25 largest at yearend 1985 — No. 14, InterFirst Corp.; No. 22, Texas Commerce; and No. 25, Crocker — accepted takeover offers.

And No. 2, the BankAmerica Corp., continues to flee a takeover attempt by the First Interstate Bancorp, destroying another long-held view that no large U.S. bank ever will have to worry about a hostile takeover.

Other notions that came crashing down last year were that acquisitions of healthy thrifts were off limits to bank holding companies, that regulators will block mergers of multibillion-dollar banks in the same market on antitrust grounds, that interstate banking will evolve slowly, and that twice book value is as high as banks will go to buy oth-

Deals: Page 19 ➤

At a Glance

Big Deals of 1986

(Millions of Dollars)

	Number Of Offers	Aggregate Price	Aggregate Equity	Aggregate Earnings	Avg. Price To Equity	Avg. Price To Earnings
1986	302	$16,713.5	$9,867.2	$1,008.3	1.7	16.8

Comment

Profiting from Mortgage Arbitrages

By SANFORD ROSE

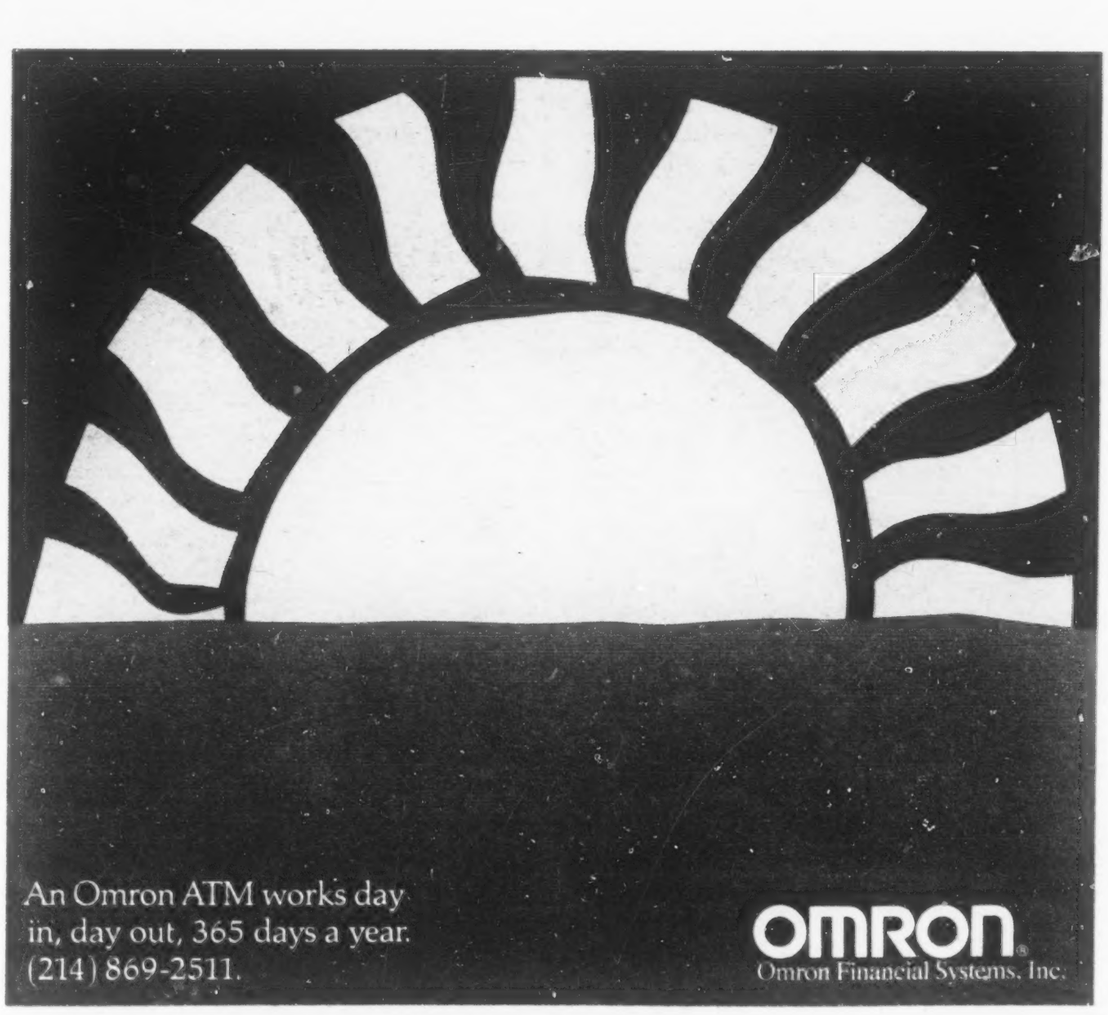
It is very difficult to be a successful mortgage investor without at least a nodding acquaintance with three key concepts: duration, positive convexity, and negative convexity. Duration is the weighted average time to receipt of the mortgage payments, with the weights determined by the present value of each cash flow.

Convexity is the rate at which duration changes in response to a change in the general level of interest rates. Positive convexity occurs when durations shorten as interest rates increase or lengthen as interest rates decrease. Positive convexity induces investor happiness, notes mortgage analyst Alden Toevs of Morgan Stanley.

That's because changes in values are roughly equal to the negative of duration times the change in rates. When rates increase, you want shorter durations because a shorter bond will decline in value by less than a longer-duration instrument.

Similarly, when rates decrease, the investor craves longer durations because a longer bond will rise in value more than a shorter instru-

Comment: Page 4 ➤



Administration To Push FSLIC Recapitalization

Officials Warn of Liquidity Problems in Thrift System

By ROBERT M. GARSSON and NINA EASTON

As Congress prepares to wrestle once more with a plan to save the nearly depleted thrift industry insurance fund, administration officials say the Federal Home Loan Bank System is facing a potential liquidity problem.

News Analysis

If the administration is able to make that case in hearings that begin this week before both the House and Senate banking committees, it could provide a powerful push for its plan to recapitalize the Federal Savings and Loan Insurance Corp.

Moreover, organizations such as the U.S. League of Savings Institutions, which the administration holds respon-

Critics Assail Thrift Appraisal Rule Page 3

sible for scuttling the FSLIC rescue plan last year, could find themselves under new pressure to support the $15 billion recapitalization.

The administration is not arguing that the 12 district banks which make up the system have lost the ability to raise cash.

Instead, senior administration officials are saying that troubled thrift institutions no longer have assets that can be used to back loans from the district banks.

The advances have been used to keep otherwise insolvent thrifts in business while the industry insurance fund awaits a cash infusion. The FSLIC has about $2.5 billion in reserves, but it would run down to zero very quickly if it began liquidating or merging even a small number of the insolvent institutions it insures.

The Federal Home Loan Bank

Recapitalization: Page 43 ➤

Big Deals: Banking Joins World of Tough Takeovers

Continued from Page 1

er banks.

"There has been a complete change in antitrust attitudes, and with the natural tendency toward monopoly, transactions that were unthinkable five years ago can be done today," said John Lyons, a principal with Lyons, Zomback & Ostrowski Inc., a New York bank and thrift consultant.

In addition, the bull market in bank stocks during the last few years created an environment in which banks could do megamergers without seriously cutting into their earnings per share, Mr. Lyons said.

The landmark Supreme Court decision in June 1985 permitting regional interstate banking also was a major factor. Of the 20 biggest deals of the year, 12 were interstate transactions.

Bankers' Attitudes Changing

Bankers' attitudes about mergers also are changing. "Today's banker feels that almost anything is possible," Mr. Lyons said. And that includes hostile takeovers of giants such as BankAmerica.

"Hostile takeovers occur throughout the corporate world," he added. "There is a feeling that this is your right as a corporate citizen."

Managements of industrial companies now operate in an environment in which, if they make a mistake, corporate raiders are standing by ready to pounce on them.

Banking, too, is headed in that direction. "It's happened already," Mr. Lyons said. "The major entrepreneurs are heavily involved in banking through their ownership of savings and loans, and it has created a real problem for the S&Ls."

The acquisition of healthy thrifts is another area where bankers broke new ground last year. Previously, it was thought that thrift acquisitions were off limits to bank holding companies under federal law except in cases of failing thrifts. Citicorp entered Florida, California, Illinois, and Washington, D.C., through this kind of transaction.

In 1986, though, bank holding companies began to acquire healthy thrifts in a complex process that actually boils down to one simple idea — convert the thrift to a bank and then acquire the converted institution.

The Federal Home Loan Bank Board, concerned about losing its healthiest members, moved to block these deals by requiring the participants to pay hefty "exit fees" and then subjecting the deals to its prior approval. Barnett Banks of Florida, Jacksonville, went to federal court in Jacksonville and obtained a temporary restraining order against the Bank Board. Barnett completed the acquisition without Bank Board approval.

"These deals won't be attractive to every bank, to every thrift, in every market," said Thomas Vartanian, a partner at the Washington law firm of Fried, Frank, Harris, Shriver & Jacobson.

"Too many moons have to be in line," said Mr. Vartanian, a former general counsel to the Bank Board and one of the architects of these arrangements.

He added that he expects the Bank Board to seek aid from Congress on the matter and that the issue will be resolved with the buyers paying some kind of monetary compensation to the agency.

Sees Banks Acquiring Mutuals

Barring congressional action, Mr. Vartanian said, he sees no more than a dozen bank-thrift deals a year, with the bulk being bank acquisitions of mutuals. By buying mutuals, a bank could pay the Bank Board's exit fee without having to worry about compensating shareholders of the acquired company, he said.

Another notion that has been invalidated is that interstate banking will evolve slowly from regional to national banking. "Nationwide banking is coming faster than most believed even as recently as a year ago," said bank analyst William Weiant, in a recently published research report for the First Boston Corp.

Forty-one states and Washington, D.C., now have some form of interstate banking legislation on their books. Of these, nine have national banking laws and another nine have a trigger date for interstate banking.

"By early 1989, New York banks will have the opportunity to make acquisitions in 14 states, including many of significant size such as Ohio and Michigan, as well as opportunities to enter faster-growing markets, primarily in the West," Mr. Weiant said.

Last year, New York banks began their nationwide acquisition moves. Chemical New York Corp. soon will be operating in Texas through the acquisition of Texas Commerce. By 1988, it probably will be able to complete the acquisition of the Horizon Bancorp, Morristown, N.J., in a deal also announced last year.

By 1989, Marine Midland Banks Inc. should be operating in Pennsylvania through the acquisition of First Pennsylvania Banks Inc., Philadelphia, in a transaction announced in 1986. In October, Citicorp and Chase Manhattan were able to complete their proposed Arizona bank acquisitions.

Twice the book value used to be the ceiling for bank acquisitions; it rapidly became the floor in 1986.

Although three mammoth acquisitions were announced at prices representing book value or less (Wells-Crocker, Chemical-Texas Commerce, and RepublicBank Corp.-InterFirst Corp.), banking mergers and acquisitions were set at prices representing substantial premiums to book value.

For the 302 bank and thrift acquisitions included in the *American Banker's* universe of "big deals," the average multiple to book value was 1.7 and the average multiple to earnings was 16.8. For the first nine months of the year, the deals were priced at an even twice book value, but the average for the year was lowered by the Chemical-Texas Commerce and RepublicBank-InterFirst deals, both announced in December.

Many Big Deals Higher-Priced

Many of the biggest deals of the year were priced well in excess of twice book. First Union Corp., Charlotte, N.C., bought First Railroad & Banking Co., Augusta, Ga., for about 2.4 times book; SunTrust Banks Inc., Atlanta, got the Third National Corp., Nashville, for 2.3 times book; the PNC Financial Corp., Pittsburgh, won the Citizens Fidelity Corp., Louisville, Ky., for 2.6 times book; Midlantic Banks Inc., Edison, N.J., lured the Continental Bancorp, Philadelphia, with an offer worth 2.2 times book; and the Banc One Corp., Columbus, Ohio, attracted the American Fletcher Corp., Indianapolis, with 2.4 times book.

Sometimes, however, even well in excess of twice book value is not enough to hook the big fish. In July, the Fleet Financial Group, Providence, R.I., offered the Conifer Group Inc., Worcester, Mass., about 2.6 times book. The following month, Conifer accepted a rival offer from the Bank of New England Corp. worth over three times book. Former shareholders of the Patriot Bancorp, Boston, probably were the happiest about the deal. In January, they accepted an offer from Conifer worth 2.4 times book and, after the Bank of New England deal, they recorded one of the quickest and most lucrative "double-dips" in banking history.

The following are some other conclusions gleaned from the 1986 deals:

- In every region of the nation, interstate deals on average were priced at higher multiples to book value and earnings than in-state deals.
- Differences in pricing between interstate and in-state deals is greatest in the Southeast.
- The highest premiums, whether for in-state or interstate deals, are available in the Northeast.
- The lowest are available in the West.
- The greatest merger activity took place in the Midwest, closely followed by the Southeast.
- Thrifts cost less to buy than banks on average.

Deals: Page 40

Biggest Deals of 1986

Acquirer	Acquired	Price ($ Mil.)
Chemical New York Corp. New York, N.Y.	Texas Commerce Bancshares Houston, Tex.	$1,190
Wells Fargo & Co. San Francisco, Calif.	Crocker National Corp. San Francisco, Calif.	$1,080
First Union Corp. Charlotte, N.C.	First Railroad & Banking Augusta, Ga.	$779
SunTrust Banks Inc. Atlanta, Ga.	Third National Corp. Nashville, Tenn.	$757.5
PNC Financial Corp. Pittsburgh, Pa.	Citizens Fidelity Corp. Louisville, Ky.	$700
Midlantic Banks Inc. Edison, N.J.	Continental Bancorp Philadelphia, Pa.	$680
Bank of New England Boston, Mass.	Conifer Group Worcester, Mass.	$656
Banc One Corp. Columbus, Ohio	American Fletcher Corp. Indianapolis, Ind.	$597.3
RepublicBank Corp. Dallas, Tex.	InterFirst Corp. Dallas, Tex.	$588
Marine Midland Banks Buffalo, N.Y.	First Pennsylvania Corp. Philadelphia, Pa.	$585
Chemical New York Corp. New York, N.Y.	Horizon Bancorp Morristown, N.J.	$465
CoreStates Financial Corp. Philadelphia, Pa.	New Jersey National Corp. Pennington, N.J.	$439
Maryland National Corp. Baltimore, Md.	American Security Corp. Washington, D.C.	$438
Fidelcor Philadelphia, Pa.	Merchants National Corp. Allentown, Pa.	$380
Bank of New York Co. New York, N.Y.	Long Island Trust Co. Garden City, N.Y.	$300
United Jersey Banks Trenton, N.J.	Commercial Bancshares Jersey City, N.J.	$280
Golden State Sanwa Bank San Francisco, Calif.	Lloyds Bank California Los Angeles, Calif.	$263
NBD Bancorp Detroit, Mich.	USAmeribancs Inc. Highland Park, Ill.	$250
U.S. Bancorp Portland, Ore.	ONB Corp. Spokane, Wash.	$174
Barnett Banks of Florida Jacksonville, Fla.	Home Federal Bank St. Petersburg, Fla.	$155

Dear Reader, How Are We Doing?

The American Banker wants very much to make sure its coverage of the financial services industry meets your information needs. So would you spend a moment to give us some feedback on the statistical tables that appear in today's survey of the **Big Deals of 1986**? Over the past year we have incorporated many of your suggestions to provide more meaningful information. Please return this questionnaire to William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004. Telephone 212-943-5712.

1. How would you **change** the tabulation to make it more useful? What would you add?

2. What do you like **best** about this tabulation?

3. What do you like **least** about this tabulation?

4. **How** do you use this information in your work?

5. What **new** statistical survey would you like to see?

Name (optional) _____

Title _____

Company _____

Address _____

Phone _____

Thank you for helping us improve.

Big Deals Completed in 1986

Acquirer	Acquired	Combined Assets ($ Mil.)
Security Pacific Corp. Los Angeles, Calif.	Arizona BancWest Corp. Phoenix, Ariz.	$60,000
Wells Fargo & Co. San Francisco, Calif.	Crocker National Corp. San Francisco, Calif.	$48,500
Mellon Bank Corp. Pittsburgh, Pa.	Commonwealth Natl. Financial Harrisburg, Pa.	$34,800
Marine Midland Banks Buffalo, N.Y.	Westchester Financial Corp. White Plains, N.Y.	$26,000
SunTrust Banks Inc. Atlanta, Ga.	Third National Corp. Nashville, Tenn.	$24,900
Continental Illinois Corp. Chicago, Ill.	First Suburban Bank Olympia Fields, Ill.	$24,800
NCNB Corp. Charlotte, N.C.	Bankers Trust of S.C. Columbia, S.C.	$23,900
NCNB Corp. Charlotte, N.C.	National Bank of Florida Miami, Fla.	$23,900
First Union Corp. Charlotte, N.C.	First Railroad & Banking Augusta, Ga.	$21,000
First Union Corp. Charlotte, N.C.	Southern Bancorp. Greenville, S.C.	$21,000
First Union Corp. Charlotte, N.C.	Citizens DeKalb Bank Clarkston, Ga.	$21,000
First Union Corp. Charlotte, N.C.	Georgia State Bank Mapleton, Ga.	$21,000
PNC Financial Corp. Pittsburgh, Pa.	Hershey Bank Hershey, Pa.	$20,800
Barnett Banks of Florida Jacksonville, Fla.	United First Federal Savings Sarasota, Fla.	$20,000
Barnett Banks of Florida Jacksonville, Fla.	First National Bank Marietta, Ga.	$20,000
NBD Bancorp Detroit, Mich.	Peoples Bank Huron, Mich.	$19,100
NBD Bancorp Detroit, Mich.	Union Bancorp Grand Rapids, Mich.	$19,100
NBD Bancorp Detroit, Mich.	Midwest Commerce Corp. Elkhart, Ind.	$19,100
NBD Bancorp Detroit, Mich.	Omnibank Wyandote, Mich.	$19,100
CalFed Inc. Los Angeles, Calif.	La Jolla Pacific Federal La Jolla, Calif.	$19,000
Bank of New England Boston, Mass.	Security National Bank Lynn, Mass.	$18,000
Bank of New England Boston, Mass.	Consumer Savings Bank Worcester, Mass.	$18,000
Citizens & Southern Corp. Atlanta, Ga.	Independent Community Banks Sanibel, Fla.	$17,600
First Wachovia Corp. Winston-Salem, N.C.	Forsythe County Bank Cumming, Ga.	$17,500
First Fidelity Corp. Newark, N.J.	Morris County Savings Morristown, N.J.	$13,500
Sovran Financial Corp. Norfolk, Va.	Suburban Bancorp Bethesda, Md.	$13,000
Sovran Financial Corp. Norfolk, Va.	D.C. National BanCorp Washington, D.C.	$13,000
Banc One Corp. Columbus, Ohio	Purdue National Bank Lafayette, Ind.	$11,600
Banc One Corp. Columbus, Ohio	Citizens Union National Bank Lexington, Ky.	$11,600
Southeast Banking Corp. Miami, Fla.	First National Bank Palm Beach, Fla.	$11,400
Hartford National Corp. Hartford, Conn.	Provident Institution Boston, Mass.	$11,300
Hartford National Corp. Hartford, Conn.	First Bank Chelmsford, Conn.	$11,300
Hartford National Corp. Hartford, Conn.	First New England Bankshares Taunton, Mass.	$11,300
Hartford National Corp. Hartford, Conn.	Charter Financial Corp. Framingham, Mass.	$11,300
AmeriTrust Corp. Cleveland, Ohio	First Indiana Bancorp Elkhart, Ind.	$10,000
AmeriTrust Corp. Cleveland, Ohio	Franklin Bank & Trust Franklin, Ind.	$10,000
AmeriTrust Corp. Cleveland, Ohio	American National Bancshares Noblesville, Ind.	$10,000
AmeriTrust Corp. Cleveland, Ohio	IndCor Martinsville, Ind.	$10,000
AmeriTrust Corp. Cleveland, Ohio	First National Bank & Trust Sturgis, Mich.	$10,000
Fleet Financial Group Providence, R.I.	First Connecticut Bancorp Hartford, Conn.	$9,200
Fleet Financial Group Providence, R.I.	Merrill Bankshares Bangor, Maine	$9,200
Norstar Bancorp Inc. Albany, N.Y.	Niagra County Savings Niagra Falls, N.Y.	$9,000
Boatmen's Bancshares St. Louis, Mo.	General Bancshares St. Louis, Mo.	$9,000
Fidelcor Philadelphia, Pa.	IVB Financial Corp. Philadelphia, Pa.	$8,900
Signet Banking Corp. Richmond, Va.	Security National Corp. Washington, D.C.	$8,800
Shawmut Corp. Boston, Mass.	Home Bank & Trust Meriden, Conn.	$8,000
KeyCorp Albany, N.Y.	Beaver State Bank Beaverton, Ore.	$7,800
KeyCorp Albany, N.Y.	PacWest Bancorp Portland, Ore.	$7,800
KeyCorp Albany, N.Y.	Northwest Bancorp Albany, Ore.	$7,800
Texas American Bancshares Fort Worth, Tex.	BancTexas Tyler Tyler, Tex.	$6,400
United Jersey Banks Trenton, N.J.	Commercial Bancshares Jersey City, N.J.	$6,000
United Jersey Banks Trenton, N.J.	Franklin Bancorp Somerset, N.J.	$6,000
First of America Bank Corp. Kalamazoo, Mich.	Alpena Savings Bank Alpena, Mich.	$5,700
First of America Bank Corp. Kalamazoo, Mich.	First Bancorp Indianapolis, Ind.	$5,700
First of America Bank Corp. Kalamazoo, Mich.	Premier Bancorp Libertyville, Ill.	$5,700
First American Corp. Nashville, Tenn.	First Bank & Trust Ashland, Ky.	$5,000
First American Corp. Nashville, Tenn.	Tennessee National Corp. Maryville, Tenn.	$5,000
Golden State Sanwa Bank San Francisco, Calif.	Lloyds Bank California Los Angeles, Calif.	$5,000
Old Kent Financial Corp. Grand Rapids, Mich.	American National Holding Kalamazoo, Mich.	$5,000
People's Bank Bridgeport, Conn.	First Federal Savings Norwalk, Conn.	$4,600
First Florida Banks Tampa, Fla.	Rutland Bank St. Petersburg, Fla.	$4,500
American Fletcher Corp. Indianapolis, Ind.	American National Bancorp Plainfield, Ind.	$4,300
American Fletcher Corp. Indianapolis, Ind.	Carmel Bank & Trust Carmel, Ind.	$4,300
American Fletcher Corp. Indianapolis, Ind.	Citizens Northern Corp. Elkhart, Ind.	$4,300
Merchants National Corp. Indianapolis, Ind.	Farmers National Bank Shelbyville, Ind.	$4,000
Merchants National Corp. Indianapolis, Ind.	Central National Bank Greencastle, Ind.	$4,000
Merchants National Corp. Indianapolis, Ind.	NBG Financial Corp. Greenwood, Ind.	$4,000
Merchants National Corp. Indianapolis, Ind.	Hancock Bank Greencastle, Ind.	$4,000
Merchants National Corp. Indianapolis, Ind.	US Bancorp Carmel, Ind.	$4,000
Merchants National Corp. Indianapolis, Ind.	Farmers State Corp. Zionsville, Ind.	$4,000
Merchants National Corp. Indianapolis, Ind.	Alliance Bancorp Danville, Ind.	$4,000
Merchants National Corp. Indianapolis, Ind.	Mid-Southern Indiana Bancorp Seymour, Ind.	$4,000
Merchants National Corp. Indianapolis, Ind.	Anderson Banking Co. Anderson, Ind.	$4,000
Merchants National Corp. Indianapolis, Ind.	Citizens National Bank Tipton, Ind.	$4,000
Hibernia Corp. New Orleans, La.	Fidelity National Bank Baton Rouge, La.	$4,000
Hibernia Corp. New Orleans, La.	Southwest Bancshares Lafayette, La.	$4,000

(Continued on Next Page)

Big Deals Completed in 1986

(Continued from Previous Page)

Acquirer	Acquired	Combined Assets ($ Mil.)
Conifer Group Worcester, Mass.	Patriot Bancorp Boston, Mass.	$3,900
Conifer Group Worcester, Mass.	Hampshire National Bank South Hadley, Mass.	$3,900
Marine Corp. Milwaukee, Wis.	Commercial Banc-Corp Monroe, Wis.	$3,800
Marine Corp. Milwaukee, Wis.	Mequon State Bank Mequon, Wis.	$3,800
Marine Corp. Milwaukee, Wis.	Citizens National Bank Stevens Point, Wis.	$3,800
First Jersey National Corp. Jersey City, N.J.	First National Bancorp Fort Lee, N.J.	$3,700
Commerce Union Corp. Nashville, Tenn.	Central South Bancorp Franklin, Tenn.	$3,600
First National Cincinnati Corp. Cincinnati, Ohio	Newport National Bank Newport, Ky.	$3,500
Fifth Third Bancorp Cincinnati, Ohio	First Kentucky Bancshares Florence, Ky.	$3,100
Zions Utah Bancorp Salt Lake City, Utah	Mesa Bank Mesa, Ariz.	$3,000
Pennbancorp Titusville, Pa.	GNB Corp. Uniontown, Pa.	$3,000
Bank South Corp. Atlanta, Ga.	Southern Bancorp Waycross, Ga.	$3,100
National Bancshares Corp. San Antonio, Tex.	First National Bank Seguin, Tex.	$2,900
National Bancshares Corp. San Antonio, Tex.	City National Bank Laredo, Tex.	$2,900
Deposit Guaranty Corp. Jackson, Miss.	First National Bank Southaven, Miss.	$2,700
Puget Sound Bancorp Tacoma, Wash.	Savings Bank of Puget Seattle, Wash.	$2,600
Puget Sound Bancorp Tacoma, Wash.	Bank of Seattle Seattle, Wash.	$2,600
Fourth Financial Corp. Topeka, Kan.	First National Bank Lenexa, Kan.	$2,500
First Federal Savings Pittsburgh, Pa.	Tower Federal Savings New Brighton, Pa.	$2,500
Liberty United Bancorp Louisville, Ky.	Kentucky Bank & Trust Madisonville, Ky.	$2,300
Keystone Financial Corp. State College, Pa.	Penn National Financial Pottsville, Pa.	$2,300
Summit Bancorp Summit, N.J.	Bay State Bank Ship Bottom, N.J.	$1,900
Southern National Corp. Lumberton, N.C.	Horry County National Bank Loris, S.C.	$1,700
Southern National Corp. Lumberton, N.C.	First Palmetto Bancshares Columbia, S.C.	$1,700
Southern National Corp. Lumberton, N.C.	Capital Bank & Trust Belton, S.C.	$1,700
Commercial Bancshares Jersey City, N.J.	First Bank Colonia, N.J.	$1,600
First Eastern Corp. Wilkes-Barre, Pa.	Miners Savings Bank Pittston, Pa.	$1,600
Investors Savings Richmond, Va.	Citizens Savings Richmond, Va.	$1,500

Acquirer	Acquired	Combined Assets ($ Mil.)
CB&T Bancshares Columbus, Ga.	Bank of Coweta Newnan, Ga.	$1,400
CB&T Bancshares Columbus, Ga.	Bank of Manchester Manchester, Ga.	$1,400
National Bank of Washington Washington, D.C.	Enterprise Bank Fairfax, Va.	$1,400
Southwest Savings Dallas, Tex.	Pioneer Savings Waco, Tex.	$1,200
Bankers First Corp. Augusta, Ga.	Athens Federal Savings Athens, Ga.	$1,200
Jefferson Bankshares Charlottesville, Va.	Bank of Greene Ruckersville, Va.	$1,200
Jefferson Bankshares Charlottesville, Va.	Peoples Bank of Stafford Falmouth, Va.	$1,200
Landmark Bancshares St. Louis, Mo.	MidAmerica BancSystem Fairview Heights, Ill.	$1,200
ComFed Savings Bank Lowell, Mass.	Heritage Savings and Loan Manchester, Conn.	$1,200
Colonial BancGroup Montgomery, Ala.	First State Bank Albertsville, Ala.	$1,100
Colonial BancGroup Montgomery, Ala.	Bank of Anniston Anniston, Ala.	$1,100
One Valley Bancorp Charleston, W.Va.	New River Bank & Trust Oak Hill, W.Va.	$1,000
SummCorp Fort Wayne, Ind.	American Bank & Trust Marion, Ind.	$1,000
Fulton Financial Corp. Lancaster, Pa.	Swineford National Bank Middleburg, Pa.	$1,000
Fulton Financial Corp. Lancaster, Pa.	Albion Bancorp Albion, Pa.	$1,000
First Colonial Bancshares Chicago, Ill.	Avenue Group Bank Oak Park, Ill.	$1,000
Firstbank of Illinois Corp. Springfield, Ill.	Elliott Bancorp Jacksonville, Ill.	$1,000
Firstbank of Illinois Corp. Springfield, Ill.	United Illinois Banks Benton, Ill.	$1,000
Planters National Bank Rocky Mount, N.C.	Bank of Pilot Mountain Pilot Mountain, N.C.	$800
First Vermont Financial Corp. Brattleboro, Vt.	Bank North Group St. Albans, Vt.	$643
St. Joseph Bancorp South Bend, Ind.	First Union Bank & Trust Winnimac, Ind.	$605
Lake Shore Bancorp Chicago, Ill.	Bank of Hinsdale Hinsdale, Ill.	$600
Suburban Bancorp Palatine, Ill.	Marbanco Inc. Marengo, Ill.	$493
Suburban Bancorp Palatine, Ill.	West Brook Bancshares Westchester, Ill.	$483
First Glen Bancorp Glens Falls, N.Y.	Peoples Commercial Bank East Greenbush, N.Y.	$470
Dallas Bancshares Dallas, Tex.	American National Bank Plano, Tex.	$460
James Madison Ltd. Washington, D.C.	UNB Bancshares Washington, D.C.	$411
Mid-America National Corp. Bowling Green, Ohio	Dime Bank Continental, Ohio	$370

Required Reading

On the Expanded Bank Powers Issue, Lawmakers Are Caught Between Sides

➳ Continued from Page 16

control functions of the Federal Reserve.

Currently, banks that fund their loans with deposits have the ability to create money simply by extending new loans.

The Federal Reserve controls this money creation process by requiring banks to set aside a fraction of their deposits as reserves. The reserve requirement determines the amount by which a given amount of bank reserves can be "multiplied" by the private banking system. For example, with a 20% reserve requirement, a dollar of bank reserves can be multiplied through a process of lending and relending to a maximum of $5.

My proposal would reduce the money multiplier to the extent existing banks were converted to financial holding company depositories; because they could not themselves extend loans, they also could not create money. Uncertainty about the number of conversions would introduce uncertainty about the money multiplier itself, further eroding the usefulness of monetary aggregates as targets for monetary policy makers. A 10-year transition rule for converting existing commercial banks to the equivalent of money market funds would smooth much of the disruption in the money multiplier that these conversions otherwise would cause.

Several criticisms of the proposal can be anticipated. perhaps the strongest objection is that separation of deposit-taking and lending activities would lead to increased interest rates on commercial and consumer loans, since lending subsidiaries would be forced to rely on uninsured debt and equity rather than on less-expensive, federally insured deposits.

The amount of any increase would depend, in significant part, on the number of banking organizations that converted their status. Many banks, including smaller institutions exempted from the separation requirements, would choose to remain as they are, funding their lending activities by insured deposits. These conventional banks would constrain the abilities of financial holding company lending subsidiaries to charge significantly higher interest rates.

One way to prevent consumer loan rates, in particular, from increasing would be to permit financial holding company-owned depositories to extend consumer loans. This variation would be equivalent to the recent proposal offered by the Treasury Department to permit any type of company to own and operate a "consumer" bank.

Although thus far it has been opposed by Federal Reserve Board Chair-

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1986 Merger Agreements and Offers in the Northeast

Ranked by Purchase Price

Month	Acquirer	Size ($ Mil.)	Acquired	Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings
June	PNC Financial Corp., Pittsburgh, Pa.	20,800	Citizens Fidelity Corp., Lousiville, Ky.	4,000	700	2.6	14.0
February	Midlantic Banks Inc., Edison, N.J.	10,300	Continental Bancorp, Philadelphia, Pa.	4,700	680	2.2	13.3
August	Bank of New England Corp., Boston, Mass.	18,000	Conifer Group, Worcester, Mass.	3,900	656	3.1	19.8
September	Marine Midland Banks, Buffalo, N.Y.	26,000	First Pennsylvania Banks, Philadelphia, Pa.	5,700	585	1.7	18.2
May	Chemical New York Corp., New York, N.Y.	58,000	Horizon Bancorp, Morristown, N.J.	3,000	465	2.3	15.2
May	CoreStates Financial Corp., Philadelphia, Pa.	11,000	New Jersey National Corp., Pennington, N.J.	2,000	439	2.5	23.2
July	Fidelcor, Philadelphia, Pa.	8,900	Merchants Bancorp, Allentown, Pa.	2,000	380	2.6	15.1
September	Bank of New York, New York, N.Y.	18,400	Long Island Trust Co., Garden City, N.Y.	1,700	300	2.8	34
June	United Jersey Banks, Trenton, N.J.	5,500	Commercial Bancshares, Jersey City, N.J.	1,600	285	2.7	17.6
December	Republic New York Corp., New York, N.Y.	17,000	Williamsburgh Savings Bank, Brooklyn, N.Y.	2,200	150	5.8	14.9
January	Conifer Group, Worcester, Mass.	3,900	Patriot Bancorp, Boston, Mass.	933	135	2.4	14.7
April	Marine Midland Banks, Buffalo, N.Y.	23,300	Westchester Financial Corp., White Plains, N.Y.	1,000	116	1.5	12.6
April	Keystone Financial Corp., State College, Pa.	1,300	Penn National Financial Corp., Pottsville, Pa.	551.3	99.2	2.1	15.0
June	Hartford National Corp., Hartford, Conn.	11,300	First New England Bankshares, Taunton, Mass.	340	88.1	3.4	16.9
June	Hartford National Corp., Hartford, Conn.	11,300	Charter Financial Corp., Framingham, Mass.	278	59.8	3.9	18.7
June	Independence Bancorp, Perkasie, Pa.	1,800	Third National Bank, Scranton, Pa.	280	56.5	2.4	8.2
July	Amoskeag Bancshares, Manchester, N.H.	1,200	NTC Corp., Nashua, N.H.	265	51.8	2.5	14.4
June	Shawmut Corp., Boston, Mass.	8,000	Fidelity Trust, Stamford, Conn.	232	49.9	2.9	19.4
March	Bank of New England Corp., Boston, Mass.	18,000	Security National Bank, Lynn, Mass.	300	40.5	1.9	13.5
March	Bank of New England Corp., Boston, Mass.	18,000	Consumers Savings Bank, Worcester, Mass.	360	40.5	1.9	13.5
November	NBT Bancorp, Norwich, N.Y.	433	Central National Bank, Canajoharie, N.Y.	187	36	2.3	14.1
August	PNC Financial Corp., Pittsburgh, Pa.	20,800	Bridgeville Trust, Bridgeville, Pa.	138.6	33.8	1.8	12.1
January	Shawmut Corp., Boston, Mass.	8,000	Home Bank & Trust, Meriden, Conn.	302	32	2.4	17.4
July	First Jersey National Corp., Jersey City, N.J.	3,500	First National Bancorp, Fort Lee, N.J.	120	28.8	3.0	14.0
August	Hartford National Corp., Hartford, Conn.	11,300	People's Bank, Providence, R.I.	500	25	N.A.	7.0
September	UST Corp., Boston, Mass.	1,400	Valley Bank & Trust, Bridgeport, Conn.	115	24.8	3.5	14.3
November	Hartford National Corp., Hartford, Conn.	11,300	Chester Bank, Chester, Conn.	95	22.4	3.2	16.8
June	Meridian Bancorp, Reading, Pa.	6,000	First National Bank, Milford, Pa.	83.3	21.7	3.3	9.2
September	First Commonwealth Financial, Indiana, Pa.	770	CNB Corp., Windber, Pa.	107	21.4	2.3	15.5
September	Hartford National Corp., Hartford, Conn.	11,300	Savings and Loan Assn., Southington, Conn.	89	17	2.8	12.8
May	Bank of New England Corp., Boston, Mass.	18,000	Northeast National Bank, Amesbury, Mass.	75	13	3.6	23.2
March	First Eastern Corp., Wilkes-Barre, Pa.	1,700	Miners Savings Bank, Pittston, Pa.	79.6	13	1.8	14.3
May	New Jersey National Corp., Pennington, N.J.	2,000	Montgomery National Bank, Rocky Hill, N.J.	54	12.7	3.6	22.6
December	First Eastern Corp., Wilkes-Barre, Pa.	1,700	Liberty Bancorp, Carbondale, Pa.	61	12	2.0	24.8
June	Statewide Bancorp, Toms River, N.J.	1,300	Penns Grove National Bank, Penns Grove, N.J.	59.5	11.4	2.8	18.6
June	Bank of New England Corp., Boston, Mass.	18,000	Aroostook Trust, Caribou, Maine	43.2	11	2.5	11.8
January	Fulton Financial Corp., Lancaster, Pa.	1,000	Albion Bancorp, Albion, Pa.	65.5	10.6	1.9	11.5
July	First New Hampshire Banks, Manchester, N.H.	1,300	Cheshire National Bank, Keene, N.H.	68	10	2.5	26.7
August	Susquehanna Bancshares, Lititz, Pa.	1,200	Spring Grove Bank, Spring Grove, Pa.	62.5	9.7	2.1	14.1
May	Keystone Financial Corp., State College, Pa.	1,300	Hartley National Bank, Bedford, Pa.	46	8.3	1.8	12.5
October	PNC Financial Corp., Pittsburgh, Pa.	20,800	Cochranton Bancorp, Cochranton, Pa.	32	5.9	2.2	17.7
May	Norstar Bancorp, Albany, N.Y.	8,900	Peconic Bancshares, Riverhead, N.Y.	40.3	5.2	2.6	12.1
June	Bank of New England Corp., Boston, Mass.	18,000	Dirigo Bank, Augusta, Maine	31.7	5	3.0	25.4
July	First Eastern Corp., Wilkes-Barre, Pa.	1,500	Peoples Bank, Nanticoke, Pa.	23.9	3.5	1.7	8.3
July	Bath National Bank, Bath, N.Y.	85	Dundee State Bank, Dundee, N.Y.	25	3.4	1.7	17.3
March	One Bancorp, Portland, Maine	1,100	Bank of Hartford, Hartford, Conn.	250	N.A.	N.A.	N.A.
March	Hartford National Corp., Hartford, Conn.	11,300	First Bank of Massachusetts, Chelmsford, Mass.	214.2	N.A.	N.A.	N.A.
May	American Bancorp Inc., Hamden, Conn.	177	Lafayette Bancorp, Bridgeport, Conn.	169	N.A.	N.A.	N.A.
August	First New Hampshire Banks, Manchester, N.H.	1,300	Farmers & Traders Bank, Colebrook, N.H.	37	N.A.	N.A.	N.A.
October	Howard Bancorp, Burlington, Vt.	495.1	Granite Savings Bank, Barre, Vt.	105	N.A.	N.A.	N.A.

1986 Merger Agreements and Offers in the Southeast

Ranked by Purchase Price

Month	Acquirer	Size ($ Mil.)	Acquired	Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings
June	First Union Corp., Charlotte, N.C.	21,000	First Railroad & Banking, Augusta, Ga.	3,600	779	2.4	18.2
October	SunTrust Banks Inc., Atlanta, Ga.	18,800	Third National Corp., Nashville, Tenn.	5,000	757.5	2.3	13.8
July	Maryland National Corp., Baltimore, Md.	8,600	American Security Bank, Washington, D.C.	4,300	438	1.7	15.3
April	Barnett Banks of Florida, Jacksonville, Fla.	18,400	Home Federal Bank, St. Petersburg, Fla.	1,400	155	1.6	16.2
April	Barnett Banks of Florida, Jacksonville, Fla.	18,400	United First Federal Savings, Sarasota, Fla.	1,600	116	1.5	12.6
August	AmSouth Bancorp., Birmingham, Ala.	5,200	First Tuskaloosa Corp., Tuscaloosa, Ala.	400	105	2.6	15.4
May	Dominion Bankshares, Roanoke, Va.	5,300	Nashville City Bank & Trust, Nashville, Tenn.	599.2	102.9	2.6	20.3
May	Commerce Union Corp., Nashville, Tenn.	3,600	Central South Bancorp, Franklin, Tenn.	471	102.5	3.0	16.1
August	Southeast Banking Corp., Miami, Fla.	10,800	First National Bank, Palm Beach, Fla.	473	87	2.2	40.7
October	Barnett Banks of Florida, Jacksonville, Fla.	18,400	First City Bancorp, Marietta, Ga.	508	81	3.4	17.3
December	Branch Corp., Wilson, N.C.	3,100	Community Bancorp, Greenville, S.C.	246	56	3.5	20.7
December	Baltimore Bancorp, Baltimore, Md.	2,120	Metropolitan Federal Savings, Bethesda, Md.	527	50	2.4	12.1
December	First Virginia Banks, Falls Church, Va.	3,600	Tri-City Bancorp, Blountsville, Tenn.	200	41.4	3.6	23.0
June	Deposit Guaranty Corp., Jackson, Miss.	2,800	First Bank Capital Corp., Tupelo, Miss.	257	40.2	2.3	9.9
October	First Union Corp., Charlotte, N.C.	21,000	Rosewell Bank, Rosewell, Ga.	136	38.5	3.8	15.8
June	Riggs National Corp., Washington, D.C.	5,300	Guaranty Bank & Trust, Fairfax, Va.	128.3	37.8	3.3	30.2
May	CCB Financial Corp., Durham, N.C.	1,100	Republic Bank & Trust, Charlotte, N.C.	125	32	3.0	14.6
June	Citizens & Southern Corp., Atlanta, Ga.	17,300	Independent Community Banks, Sanibel, Fla.	390	69	3.3	14.4
November	Dominion Bankshares, Roanoke, Va.	5,300	First National Financial Corp., Clarksville, Tenn.	205	39.3	2.5	20.4
September	Southeast Banking Corp., Miami, Fla.	10,800	Popular Bancshares, Miami, Fla.	361.4	32	1.5	22.
December	First Tennessee National Corp., Nashville, Tenn.	5,200	Lebanon Bank, Lebanon, Tenn.	116.7	30.9	3.5	15.5
April	First Union Corp., Charlotte, N.C.	21,000	Georgia State Bancshares, Mapleton, Ga.	153	30.8	3.0	16.2
February	First American Corp., Nashville, Tenn.	5,000	Tennessee National Bancshares, Maryville, Tenn.	263	30	1.8	13.5
March	United Carolina Bancshares, Whiteville, N.C.	1,400	Bank of Greer, Greer, S.C.	138	28.4	2.3	16.9
March	One Valley Bancorp, Charleston, W.Va.	1,300	Financial Mgmt. Bcshs., Morgantown, W.Va.	200.9	28.4	2.3	16.9
December	Deposit Guaranty Corp., Jackson, Miss.	2,800	Security State Bank, Starkville, Miss.	159	26.3	2.1	10.9
August	Bancorp of Mississippi, Tupelo, Miss.	669.3	First Mississippi Nat'l Corp., Hattiesburg, Miss.	354	24.3	1.2	9.4
January	First Virginia Banks, Falls Church, Va.	3,600	Commercial Bank, Bel Air, Md.	121	21.9	2.5	15.1
March	One Valley Bancorp, Charleston, W.Va.	1,300	Bank of West Virginia, Charleston, W.Va.	121.5	21.5	1.6	15.1
June	Citizens & Southern Corp., Atlanta, Ga.	17,300	Andrews Bank & Trust, Georgetown, S.C.	85	20.5	2.7	15.1
August	Peoples Bancorp, Rocky Mount, N.C.	759	Mid-South Bancshares, Sanford, N.C.	97	18.8	2.9	17.4
August	Dominion Bankshares, Roanoke, Va.	5,300	First National Bank, Sparta, Tenn.	90	18.4	1.8	11.5
October	Citizens & Southern Corp., Atlanta, Ga.	17,300	Peoples Bank, Carrolton, Ga.	100	17.6	2.1	19.0
September	United Virginia Bankshares, Richmond, Va.	8,300	People's Bank, Chesapeake, Va.	71	17.1	2.8	16.8
October	Dominion Bankshares, Roanoke, Va.	5,300	First Dickson Corp., Dickson, Tenn.	93	17	2.1	17.4
January	Dominion Bankshares, Roanoke, Va.	5,300	National Bank of Commerce, Washington, D.C.	85	15.3	2.4	22.2
January	First Alabama Bancshares, Montgomery, Ala.	3,600	First State Bank, Decatur, Ala.	104	14.9	2.1	12.1
November	Southern National Corp., Lumberton, N.C.	1,500	Liberty National Bancorp, Charleston, S.C.	82	13	2.3	N.A.
November	First Virginia Banks, Falls Church, Va.	3,600	Clinch Valley Bank & Trust, Richlands, Va.	70	12.9	1.7	13.9
December	First American Corp., Nashville, Tenn.	5,000	First Peoples National Bank, Gallatin, Tenn.	65	12	2.7	20.4
August	Union Planters Corp., Memphis, Tenn.	2,100	Borc Financial Corp., Harriman, Tenn.	110.6	11.5	1.5	9.5
May	First Alabama Bancshares, Montgomery, Ala.	3,600	First Citizens Bank, Oneonta, Ala.	71	11.3	1.8	10.1
October	Commerce Union Corp., Nashville, Tenn.	3,600	First National Bancorp, Lewisburg, Tenn.	63	11.2	2.2	16.9
May	Citizens & Southern Corp., Atlanta, Ga.	17,300	Farmer & Merchant Bank, Walterboro, S.C.	72	11	1.8	15.4
May	Bank South Corp., Atlanta, Ga.	3,000	Citizens Bank, Tifton, Ga.	60	10.9	2.2	9.2
April	Jefferson Bankshares, Charlottesville, Va.	1,100	Peoples Bank, Falmouth, Va.	44.9	10.5	2.4	16.1
August	Union Planters Corp., Memphis, Tenn.	2,100	Merchants State Holding, Humbolt, Tenn.	87.3	10.2	1.5	9.6
June	Southern National Corp., Lumberton, N.C.	1,500	Capital Bank & Trust, Belton, S.C.	63	9.7	2.1	16.4
August	First Alabama Bancshares, Montgomery, Ala.	3,800	Choctaw Bank, Butler, Ala.	62	9.2	1.5	9.4
May	First Wachovia Corp., Winston-Salem, N.C.	17,600	North Wilkesboro Fed. Sav., N. Wilkesboro, N.C.	102	9	1.7	15.2
June	Washington Bancorp, Washington, D.C.	1,400	Enterprise Bank, Falls Church, Va.	35.4	9	2.8	22.1
August	Union Planters Corp., Memphis, Tenn.	2,100	Firstbank, Crossville, Tenn.	100	9	1.5	9.5
September	First Alabama Bancshares, Montgomery, Ala.	3,800	Albertsville National Bank, Albertsville, Ala.	63	8.6	1.6	8.0
September	South Carolina National Corp., Columbia, S.C.	4,200	Bank of Fairfield, Fairfield, S.C.	30	8.5	2.4	14.4
October	First Union Corp., Charlotte, N.C.	21,000	Commerce National Bank, Naples, Fla.	36	8.5	2.6	38.6
October	First Union Corp., Charlotte, N.C.	21,000	City Commercial Bank, Naples, Fla.	44	8.5	1.7	36.6
March	Citizens & Southern Corp., Atlanta, Ga.	17,300	Fanin County Bank, Blue Ridge, Ga.	50.3	7.8	1.5	9.5
August	First Union Corp., Charlotte, N.C.	21,000	Edison Banks, Fort Myers, Fla.	54	7.1	2.9	33.2
October	Dominion Bankshares, Roanoke, Va.	5,300	Mid-Tennessee Bancorp, Ashland City, Tenn.	51	7	2.4	12.5
September	Deposit Guaranty Corp., Jackson, Miss.	2,800	First National Bank, Hernando, Miss.	38	6.5	1.9	9.3
August	First Union Corp., Charlotte, N.C.	21,000	Collier Bank, Naples, Fla.	39	6.1	2.3	N.A.

(Continued on Next Page)

1986 Merger Agreements and Offers in the Southeast

Ranked by Purchase Price

(Continued from Previous Page)

Month	Acquirer	Size ($ Mil.)	Acquired	Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings
July	First Railroad & Banking, Augusta, Ga.	3,600	Bank of Waynesboro, Waynesboro, Ga.	45	6.1	1.5	25.4
June	Southern National Corp., Lumberton, N.C.	1,500	First Palmetto Bancshares, Columbia, S.C.	74	5	1.8	25.5
July	First Virginia Banks, Falls Church, Va.	3,700	Peoples Bank, Pound, Va.	47	4.9	1.2	15.6
October	Southeast Banking Corp., Miami, Fla.	10,800	First Bank, Lakeland, Fla.	28	4.7	2.4	23.5
January	Hibernia Corp., New Orleans, La.	3,000	South Louisiana Financial Corp., Houma, La.	55.7	4.3	1.2	N.A.
July	NCNB Corp., Charlotte, N.C.	23,900	Prince William Bank, Dumfries, Va.	20	4	3.7	11.6
August	Union Planters Corp., Memphis, Tenn.	2,100	First Citizens Bank, Hohenwald, Tenn.	37	3.7	1.2	7.6
January	First Capital Corp., Jackson, Miss.	$2,300	Rankin County Bank, Brandon, Miss.	155.2	N.A.	N.A.	N.A.
January	First Wachovia Corp., Winston-Salem, N.C.	17,600	Peoples Equity Shares, Carrolton, Ga.	90	N.A.	N.A.	N.A.
July	First Wachovia Corp., Winston-Salem, N.C.	17,600	Forsyth Bancshares, Cumming, Ga.	95.3	N.A.	N.A.	N.A.
December	First Wachovia Corp., Winston-Salem, N.C.	17,600	First American Bank, Walton, Ga.	74	N.A.	N.A.	N.A.
April	Colonial BancGroup, Birmingham, Ala.	1,100	First Federal Bank, Opelika, Ala.	60	N.A.	N.A.	N.A.
October	Colonial BancGroup, Birmingham, Ala.	1,100	Jackson County Bank, Scottsboro, Ala.	20	N.A.	N.A.	N.A.
October	Colonial BancGroup, Birmingham, Ala.	1,100	Athens-Limestone Bank, Athens, Ala.	18	N.A.	N.A.	N.A.
June	SunTrust Banks, Atlanta, Ga.	19,000	Baxley State Bank, Baxley, Ga.	51.2	N.A.	N.A.	N.A.
June	Barnett Banks of Florida, Jacksonville, Fla.	18,400	First National Bank, Live Oak, Fla.	84.3	N.A.	N.A.	N.A.
July	United Bankshares, Parkersburg, W.Va.	700	First National Bank, Moundsville, W.Va.	51.5	N.A.	N.A.	N.A.
July	CB&T Bancshares, Columbus, Ga.	1,400	First Camden Bancorp, Camden, Ga.	20	N.A.	N.A.	N.A.
September	CB&T Bancshares, Columbus, Ga.	1,400	First Community Bancshares, Tifton, Ga.	62	N.A.	N.A.	N.A
July	Southeast Banking Corp., Miami, Fla.	10,800	Florida State Bank, Destin, Fla.	15.2	N.A.	N.A.	N.A.
August	Bank South Corp., Atlanta, Ga.	3,000	Southern Bancorp, Waycross, Ga.	175	N.A.	N.A.	N.A,
August	First National Bancorp, Gainesville, Ga.	796	Citizens Bank, Toccoa, Ga.	60	N.A.	N.A.	N.A.
September	Community Group, Jasper, Tenn.	72	First State Bank, Jacksboro, Tenn.	33	N.A.	N.A.	N.A.
September	City Holding Co., Charleston, W.Va.	130	Peoples Bank, Point Pleasant, W.Va.	55	N.A.	N.A.	N.A.
September	Third National Corp., Nashville, Tenn.	5,000	Peoples Bancshares, Lebanon, Tenn.	64	N.A.	N.A.	N.A.
October	Key Centurion Bankshares, Charleston, W.Va.	1,200	Wayne Bancorp, Wayne, W.Va.	69	N.A.	N.A.	N.A.
October	Key Centurion Bankshares, Charleston, W.Va.	1,200	Union Bancorp, Clarksburg, W.Va.	300	N.A.	N.A.	N.A.
October	Key Centurion Bankshares, Charleston, W.Va.	1,200	Nicholas County Bank, Summersville, W.Va.	69	N.A.	N.A.	N.A.
October	One Valley Bancorp, Charleston, W.Va.	1,000	Bank of Athens, Athens, W.Va.	27.2	N.A.	N.A.	N.A.
October	Trustmark National Bank, Jackson, Miss.	2,300	Hernando Bank, Hernando, Miss.	84	N.A.	N.A.	N.A.
October	FNB Banking Corp., Monticello, Fla.	44	Pavo State Bank, Pavo, Ga.	6	N.A.	N.A.	N.A.
December	Third National Corp., Nashville, Tenn.	5,000	Hamilton Bank, Morristown, Tenn.	120	N.A.	N.A.	N.A.

Required Reading

An Idea: Financial Holding Firms to Split Deposit Taking, Lending

➤ Continued from Page 21

man Paul A. Volcker, who fears the consequences to the financial system of eliminating the distinction between banking and commerce, the consumer bank proposal has the political advantage of appearing less radical than requiring financial holding companies to separate *all* their lending operations from their deposit-taking activities. However, because it would be less far-reaching, the consumer bank concept also could fall short of meeting the concerns of those opposed to broader bank powers.

For example, although a consumer bank could be insulated totally from any nonbanking affiliates, it still could prop them up indirectly by extending loans to their *customers*. Banks affiliated with retailers could favor customers of those retailers in extending loans. A depository restricted to investing in high-quality marketable instruments could not exploit this potential conflict of interest.

Moreover, given their ability to fund consumer loans with insured deposits, financial holding companies that owned consumer banks could grow larger than those that owned lending affiliates that had to rely on uninsured sources of capital. For those concerned about the effects of deregulation on the concentration of assets, therefore, the consumer bank proposal should be less attractive than separation of lending and deposit-taking services.

Another possible objection is that few, if any, banking organizations would choose to operate as financial holding companies, given the severity of the separation requirements.

Of course, there is, no way to test this proposition without making the financial holding company option available. Nevertheless, it is highly likely that many large banking organizations — as well as certain nonbanking companies — would consider the idea seriously.

The financial holding company option would allow participants to obtain the benefits of portfolio diversification and to cross-sell each of the services and products offered by all of the nonbank affiliates, the principal reasons why banks in particular have sought greater financial product-line freedom. And while it is true that financial holding company lending affiliates would have to pay more for their funds than conventional commercial banks, there is ample room in the credit markets to accommodate them.

The strong success of General Electric Credit, currently one of the 10 largest commercial lenders in the United States, proves that access to insured deposits is not a necessary condition for competing in the commercial lending business.

A final potential objection is that although Congress clearly would need to enact new legislation to authorize the unrestricted ownership of consumer banks, creating the financial holding company option may be unnecessary because there is nothing in existing law that prevents banks or their holding companies from shedding their loan portfolios and converting their depositories into money market funds.

This observation is true but misses two important facts.

First, it is unclear whether a national bank currently engaged in both deposit-taking and commercial lending legally could retain its bank charter if it were to shed its entire loan portfolio. (This issue may be resolved in the current litigation pending in a Florida federal district court involving a challenge to the Comptroller's authority to issue charters to nonbank banks.) Second, and more important, banking organizations have little incentive to incur the expense of restructuring their banks as long as they believe that Congress at some point in the near future will widen their financial product-line authority without requiring the separation of their payments and lending activities.

If my projections about the future political environment are correct, however, federal lawmakers will continue to be reluctant to intervene in the war between banks and other financial interests. As a result, banks more than likely will have to wait until the liberalizations of state bank charters induce Congress to level the playing field for national banks and bank holding companies.

By that time, the competitive positions of banks will be eroded even further. If banks instead were to fight for the financial holding company option, they might be able to allay the concerns of those who have opposed bank powers and thereby hasten the removal of the remaining impediments to product-line competition in the financial services industry. ■

State Street Bank Wins $20 Billion Pension Fund

BOSTON — State Street Bank & Trust Co. announced that the California State Teachers Retirement System has chosen it as master custodian for the state's $20 billion pension fund.

The California system, which has 415,000 members, is the fifth largest public pension fund in the country. Frank Russell Co., Tacoma, Wash., has been its custodian.

State Street is the largest master custodian, now with nearly $140 billion in such assets, including nearly $50 billion in public pension assets. ■

1986 Merger Agreements and Offers in the Midwest

Ranked by Purchase Price

Month	Acquirer	Size ($ Mil.)	Acquired	Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings
May	Banc One Corp., Columbus, Ohio	11,600	American Fletcher Corp., Indianapolis, Ind.	4,300	597.3	2.4	16.2
October	NBD Bancorp, Detroit, Mich.	19,100	USAmeribancs Inc., Highland Park, Ill.	1,900	250	3.3	11.0
August	TrustCorp, Toledo, Ohio	4,000	St. Joseph Bancorp, South Bend, Ind.	650	80.6	1.9	18.6
January	Old Kent Financial Corp., Grand Rapids, Mich.	4,300	American Nat'l. Holding Corp., Kalamazoo, Mich.	718	78	1.7	12.0
July	First of America Bank Corp., Kalamazoo, Mich.	5,500	Premier Bancorp, Libertyville, Ill.	506	76	2.5	14.0
April	Indiana National Corp., Indianapolis, Ind.	4,300	CommerceAmerica Banking, Jeffersonville, Ind.	446.1	73.5	2.0	17.1
August	Northern Trust Corp., Chicago, Ill.	7,700	First Lake Forest Corp., Lake Forest, Ill.	419	60.5	2.2	17.9
June	Banc One Corp., Columbus, Ohio	11,600	First National Bank, Bloomington, Ind.	241	52	2.2	17.5
September	NBD Bancorp, Detroit, Mich.	19,100	Omnibank Corp., Wyandote, Mich.	366.9	51	1.7	14.0
June	River Forest Bancorp, River Forest, Ill.	400	Commercial National Bank, Chicago, Ill.	316	46	2.3	9.2
August	Financial National Bancshares, Elgin, Ill.	370	Northwest Suburban Bancorp, Mount Prospect, Ill.	363	44	1.9	10.0
August	Comerica, Detroit, Mich.	9,300	Metrobanc, Grand Rapids, Mich.	319	43	2.2	13.2
October	First Wisconsin Corp., Milwaukee, Wis.	6,600	Naper Financial Corp., Naperville, Ill.	217	43	2.9	15.2
April	First of America Bank Corp., Kalamazoo, Mich.	5,500	First Bancorp, Indianapolis, Ind.	265	41.9	2.0	15.9
February	Banc One Corp., Columbus, Ohio	11,600	Charter 17, Richmond, Ind.	194	38.5	1.7	15.7
January	Citizens Fidelity Corp., Louisville, Ky.	3,200	First Midwest Bancorp, New Albany, Ind.	250	34	1.7	12.6
February	First Illinois Corp., Evanston, Ill.	959	First Burlington Corp., Burlington, Ill.	245	28.2	1.9	10.9
May	AmeriTrust Corp., Cleveland, Ohio	10,000	American National Bancshares, Noblesville, Ind.	215	28	2.2	15.9
August	United Missouri Bancshares, Kansas City, Mo.	3,000	FCB Corp., Collinsville, Ill.	160	28	2.0	12.3
December	First of America Bank Corp., Kalamazoo, Mich.	5,500	Keystone Bancshares, Kankakee, Ill.	200	25	1.5	13.4
March	Firstbank of Illinois, Springfield, Ill.	560	Elliott Bancorp, Jacksonville, Ill.	154	24	1.6	13.3
July	Landmark Bancshares, St. Louis, Mo.	1,000	MidAmerica BancSystem, Fairview Heights, Ill.	229	24	1.8	13.7
January	AmeriTrust Corp., Cleveland, Ohio	10,000	Franklin Bank & Trust, Franklin, Ind.	175	23	1.9	12.1
April	Landmark Bancshares, St. Louis, Mo.	1,000	MidAmerica Bancsystem, Fairview Heights, Ill.	223	21	1.6	N.A.
September	TrustCorp, Toledo, Ohio	4,000	Commercial Bancshares, Adrian, Mich.	170	19.5	2.1	16.0
September	AmeriTrust Corp., Cleveland, Ohio	10,000	Boone Corp., Lebanon, Ind.	124	18.3	1.8	15.5
August	ONB Corp., Owensboro, Ky.	295.7	Area Bancshares, Hopkinsville, Ky.	133.2	18.2	1.5	8.6
September	First Wisconsin Corp., Milwaukee, Wis.	6,600	Du Page Bancshares, Glen Ellyn, Ill.	135	18.2	2.1	13.9
June	LaSalle National Corp., Chicago	1,500	Lisle Bancorp, Lisle, Ill.	90.2	18	2.4	8.2
January	Banc One Corp., Columbus, Ohio	11,600	Spartan Bancorp, East Lansing, Mich.	165	17.5	1.5	10.3
April	First Kentucky National, Louisville, Ky.	4,100	Mutual Banc Corp., New Albany, Ind.	116	17.5	2.2	15.2
April	First of America Bank Corp., Kalamazoo, Mich.	5,500	First La Porte, La Porte, Ind.	160	15.6	1.3	13.6
February	Banc One Corp., Columbus, Ohio	11,600	Citizens State Bank, Sturgis, Mich.	115.9	14.6	1.4	10.0
February	Citizens Fidelity Corp., Louisville, Ky.	3,900	Madison National Bank, Richmond, Ky.	94	14	1.7	12.0
July	Mercantile Bancorp., St. Louis, Mo.	6,500	First Bancshares, Alton, Ill.	125	13.1	1.3	23.7
April	American Fletcher Corp., Indianapolis, Ind.	4,300	Industrial Trust, Muncie, Ind.	132.5	12	1.4	14.1
August	Security Bancorp, Southgate, Mich.	2,100	Trenton Bank & Trust, Trenton, Mich.	117	12	1.5	16.9
February	Banc One Corp., Columbus, Ohio	11,600	Northwest National Bank, Renssalaer, Ind.	95	11.8	1.3	10.9
August	First Wisconsin Corp., Milwaukee, Wis.	6,600	First National Bank, Glendale, Wis.	84	11.8	1.9	12.5
April	AmeriTrust Corp., Cleveland, Ohio	10,000	First National Bank, Sturgis, Mich.	83.3	11.5	2.1	10.1
July	SummCorp, Fort Wayne, Ind.	1,000	Industrial Trust & Savings, Muncie, Ind.	135	11.3	1.2	18.1
August	Lincoln Financial Corp., Fort Wayne, Ind.	1,000	SSB Bancorp, Shipshewana, Ind.	110	11	1.5	14.3
March	Continental Illinois Corp., Chicago, Ill.	30,500	First National Bank, Western Springs, Ill.	80	10.5	1.6	21.8
June	Old National Corp., Evansville, Ind.	1,100	GCB Bancorp, Princeton, Ind.	73	10	1.6	21.7
April	First Michigan Bank Corp., Zeeland, Mich.	760.7	State Savings Bank, Lowell, Mich.	61.5	9.9	1.6	7.4
February	Magna Group, Belleville, Ill.	1,100	Northtown Bancshares, Decatur, Ill.	88.3	9.6	1.3	10.5
January	Old National Bancorp, Evansville, Ind.	1,100	Rockville National Bank, Rockville, Ind.	46	9	1.2	9.0
December	Mark Twain Bancshares, St. Louis, Mo.	1,100	Edwardsville National Bank, Edwardsville, Ill.	71.2	8.9	1.7	9.0
June	Old National Bancorp, Evansville, Ind.	1,100	Clinton State Bank, Clinton, Ind.	45.6	8.6	1.4	8.9
February	Continental Illinois Corp., Chicago, Ill.	30,500	First National Bank, Deerfield, Ill.	63.4	8.2	1.9	14.5
June	Huntington Bancshares, Columbus, Ohio	7,000	Wainwright Bank, Nobleville, Ind.	63.9	8	2.1	14.8
August	AmeriTrust Corp., Cleveland, Ohio	10,000	Central Indiana Bancorp, Fairland, Ind.	91	8	1.4	11.1
February	Associated Banc-Corp, Green Bay, Wis.	1,100	Randall Bank, Madison, Wis.	61.7	7.6	1.9	13.2
August	First of America Bank Corp., Kalamazoo, Mich.	5,500	Lewiston State Bank, Lewiston, Mich.	52	6.7	1.4	9.6
January	SummCorp, Fort Wayne, Ind.	1,000	Kendallville Bank & Trust, Kendallville, Ind.	47.3	6.6	1.7	14.3
July	Mark Twain Bancshares, St. Louis, Mo.	1,100	Bankers Trust, Belleville, Ill.	76.3	6.6	1.5	16.5
May	AmeriTrust Corp., Cleveland, Ohio	10,000	IndCor, Martinsville, Ind.	54	6.3	1.6	12.9
January	Banc One Corp., Columbus, Ohio	11,600	FNB Bancorp, Fenton, Mich.	77	6.1	1.4	8.7
March	Merchants National Corp., Indianapolis, Ind.	2,700	Mid-Southern Indiana Bancorp, Seymour, Ind.	63	5.7	1.2	12.0
September	Fourth Financial Corp., Topeka, Kan.	2,500	First National Bank & Trust, Lenexa, Kan.	42	5.5	1.7	21.2
October	Illinois Marine Corp., Elmhurst, Ill.	494	Colonial Bancorp, Peru, Ill.	48	5.3	1.5	20.2

(Continued on Next Page)

1986 Merger Agreements and Offers in the Midwest

Ranked by Purchase Price

(Continued from Previous Page)

Month	Acquirer	Size ($ Mil.)	Acquired	Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings
January	American Fletcher Corp., Indianapolis, Ind.	4,300	Citizens Northern Bank, Elkhart, Ind.	46.4	5	1.2	N.A.
February	Continental Illinois Corp., Chicago, Ill.	30,500	First Suburban Bank, Olympia Fields, Ill.	34	4.4	1.6	13.5
August	St. Joseph Bancorp, South Bend, Ind.	650	Farmers Bank & Trust, Knox, Ind.	40	4	1.2	8.8
January	Merchants National Corp., Indianapolis, Ind.	2,700	Alliance Bancorp, Danville, Ind.	90	N.A.	N.A.	N.A.
April	Merchants National Corp., Indianapolis, Ind.	2,700	Mid-State Bank, Zionsville, Ind.	83	N.A.	N.A.	N.A.
April	Merchants National Corp., Indianapolis, Ind.	2,700	Citizens National Bank, Tipton, Ind.	52	N.A.	N.A.	N.A.
August	Merchants National Corp., Indianapolis, Ind.	2,700	Fayette Bancorp, Connersville, Ind.	77	N.A.	N.A.	N.A.
December	Merchants National Corp., Indianapolis, Ind.	2,700	Ohio Valley Bancorp, Madison, Ind.	155	N.A.	N.A.	N.A.
April	First Colonial Bankshares, Chicago, Ill.	750	Avenue Bank & Trust, Oak Park, Ill.	170	N.A.	N.A.	N.A.
January	Central Bancorp, Cincinnati, Ohio	3,900	Citizens National Bank, Covington, Ky.	73	N.A.	N.A.	N.A.
January	First Bank, Michigan City, Ind.	185.9	Citizens Bank, Michigan City, Ind.	147.9	N.A.	N.A.	N.A.
January	First National Cincinnati Corp., Cincinnati, Ohio	2,700	Peoples National Bancorp, Lawrenceburg, Ind.	55	N.A.	N.A.	N.A.
February	AmeriTrust Corp., Cleveland, Ohio	10,000	Eagle Savings, Cincinnati, Ohio	854	N.A.	N.A.	N.A.
February	First National Cincinnati Corp., Cincinnati, Ohio	3,400	Second National Corp., Richmond, Ind.	320	N.A.	N.A.	N.A.
July	First National Cincinnati Corp., Cincinnati, Ohio	3,400	First National Co., Pikeville, Ky.	220	N.A.	N.A.	N.A.
July	First National Cincinnati Corp., Cincinnati, Ohio	3,400	Community Holding Co., Inez, Ky.	95	N.A.	N.A.	N.A.
February	TrustCorp, Toledo, Ohio	4,000	First Bancshares, Huntington, Ind.	116	N.A.	N.A.	N.A.
February	First Interstate Corp., Sheboygan, Wis.	1,100	Mid-Continental Bancorp., Milwaukee, Wis.	300	N.A.	N.A.	N.A.
July	American National Corp., Chicago, Ill.	4,200	Bank of Lansing, Lansing, Ill.	115	N.A.	N.A.	N.A.
September	American National Corp., Chicago, Ill.	4,200	Nor-Evan Corp., Evanston, Ill.	120	N.A.	N.A.	N.A.
September	American National Corp., Chicago, Ill.	4,200	First Schiller Bancorp. Schiller Park, Ill.	60	N.A.	N.A.	N.A.
September	American National Corp., Chicago, Ill.	4,200	Merchants Corp., Melrose Park, Ill.	40	N.A.	N.A.	N.A.
July	Huntington Bancshares, Columbus, Ohio	7,000	Kasco Financial, Warren, Mich.	263	N.A.	N.A.	N.A.
July	Fifth Third Bancorp, Cincinnati, Ohio	3,100	Peoples Savings Bank, New Knoxville, Ohio	20	N.A.	N.A.	N.A.
August	Lane Financial Inc., Chicago, Ill.	1,700	Bank of Westmont, Westmont, Ill.	106	N.A.	N.A.	N.A.
August	Magna Group, Belleville, Ill.	1,300	Bank of Cahokia, Cahokia, Ill.	25	N.A.	N.A.	N.A.
October	Associated Ban-Corp, Green Bay, Wis.	1,100	Chicago Commerce Bank, Chicago, Ill.	125	N.A.	N.A.	N.A.
October	Centerre Bancorp, St. Louis, Mo.	5,200	Goppert Bancshares, Kansas City, Mo.	125	N.A.	N.A.	N.A.
October	Suburban Bancorp, Palatine, Ill.	494	Addison State Bank, Addison, Ill.	106	N.A.	N.A.	N.A.
November	Citizens Banking Corp., Flint, Mich.	2,000	Commercial National Bank, Berwyn, Ill.	200	N.A.	N.A.	N.A.
November	Old National Bancorp, Evansville, Ind.	1,100	Security Bancorp, Vincennes, Ind.	138	N.A.	N.A.	N.A.
December	First of America Bank Corp., Kalamazoo, Mich.	5,500	WB Financial Corp., Wayne, Mich.	86	N.A.	N.A.	N.A.
December	Norwest Bank, Sioux City, N.D.	130	Toy National Bank, Sioux City, N.D.	145	N.A.	N.A.	N.A.
December	Marine Corp., Milwaukee, Wis.	4,000	Banco di Roma (Chicago), Chicago, Ill.	200	N.A.	N.A.	N.A.
December	Marine Corp., Milwaukee, Wis.	4,000	Community State Bank, Bloomington, Minn.	200	N.A.	N.A.	N.A.

FSLIC Sues Thrift's Former Officers

Special to the American Banker

LOUISVILLE, Ky. — Federal regulators are seeking nearly $30 million in damages from three former officers of the Lincoln Federal Savings and Loan Association and two brokerage firms for their involvement in a futures trading plan that led to financial trouble for the thrift.

The suit, filed in federal district court in Louisville; names George E. Ritter, who resigned as the chairman and chief executive officer in November 1985; Jack P. Spradlin, who resigned as the president on May 31, 1985; and Kenneth C. Dowell, who resigned as the treasurer and vice president on May 31, 1985.

An attorney for Mr. Ritter declined to make a statement. Mr. Dowell and Mr. Spradlin could not be reached for comment.

Also named in the suit were E.F. Hutton & Co. and an account representative in its Louisville office, C. Dadley Sponcil; and Geldermann Inc., Chicago, and two of its employees, Thomas J. Dickinson and Robert C. Campbell.

Both firms said they would respond in court to the allegations and had no comment at present. All those named in the suit have 20 business days to file their response.

The futures trading — which took place from Dec. 1, 1983, through June 6, 1985 — led to a loss of more than $29 million, according to the lawsuit. The suit also seeks punitive damages in an amount to be determined when the case is heard on a date still to be set.

Lincoln Federal filed the lawsuit on Dec. 29, a day before Lincoln merged into the First Nationwide Bank of San Francisco, the nation's seventh largest thrift. The Federal Savings and Loan Insurance Corp. is prosecuting the suit.

The merger — sought by federal regulators — ended a yearlong search for a buyer for the Louisville thrift.

Any damages recovered by the lawsuit would be turned over to the FSLIC, which provided an estimated $75 million in financial assistance to encourage First Nationwide to acquire Lincoln Federal.

Charges in the suit include negligence, fraud, and a breach of fiduciary duties. According to the suit, the thrift's officers, encouraged by the brokers, used the savings and net worth of Lincoln's depositors "to gamble in the financial futures market." The officers believed that interest rates would rise and viewed the futures market as a quick way to raise money for the thrift. Interest rates declined, however, creating substantial losses at Lincoln Federal.

The suit charges that the futures transactions "constituted an enormously risky, grossly improper, imprudent, unsafe, and unsound practice and resulted in the total elimination of Lincoln's net worth, placing Lincoln in an unsafe, unsound, and insolvent condition."

The suit also alleges that the futures program included frequent trading that did not promote a rational hedging strategy but instead generated large commissions for the brokers. ■

Thrift Chairman Killed in Car Crash

West Coast Bureau

LOS ANGELES — The chairman and owner of the North America Savings and Loan Association was killed in a freeway crash last Friday — the same day state regulators declared the Santa Ana-based thrift insolvent and placed it in conservatorship.

Duayne D. Christensen, 56, was killed Friday morning when his car hit a freeway abutment as he sought to avoid other cars, police said.

Mr. Christensen, a physician, was the sole common stockholder of North America Savings, which had assets of $219 million at Nov. 30. The thrift, which opened in 1983, had losses of $9 million in the first 11 months of last year, according to William D. Davis, chief deputy commissioner of savings and loan, who was named conservator.

Mr. Davis declined to specify why the thrift failed.

"We are still in the investigative mode, trying to uncover what went wrong."

But Mr. Davis blamed last year's $9 million in losses largely on real estate investments. He said state regulators had pressed the thrift for more capital since last June. A deadline for additional capital expired at noon Friday. The thrift was seized that afternoon.

Mr. Davis said Mr. Christensen was not told of the department's impending action. Federal thrift regulators were notified Friday, said a spokesman for the Federal Home Loan Bank of San Francisco.

North America's offices remained open yesterday, a bank holiday.

Mr. Davis said North America's present management, including president Brooks A. Miller, will continue to run the institution. ■

COMMENTS/RANDOM THOUGHTS

by Sanford Rose

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1986 Merger Agreements and Offers in the West

Ranked by Purchase Price

Month	Acquirer	Size ($ Mil.)	Acquired	Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings
December	Chemical New York Corp., New York, N.Y.	56,000	Texas Commerce Bancshares, Houston, Tex.	18,900	1,190	1.0	18.0
February	Wells Fargo & Co., San Francisco, Calif.	29,400	Crocker National Corp., San Francisco, Calif.	19,200	1,080	0.93	28.4
December	RepublicBank Corp., Dallas, Tex.	21,700	InterFirst Corp., Dallas, Tex.	18,500	588	0.66	N.A.
February	Golden State Sanwa Bank, San Francisco, Calif.	1,400	Lloyds Bank California, Los Angeles, Calif.	2,700	263	1.5	21.2
December	U.S. Bancorp., Portland, Ore.	9,000	ONB Corp., Spokane, Wash.	1,700	174	1.8	16.2
July	United Banks of Colorado, Denver, Colo.	4,700	IntraWest Financial Corp., Denver, Colo.	1,100	127.4	1.5	31.0
October	Valley National Corp., Phoenix, Ariz.	10,300	Valley Utah Bancorp, Salt Lake City, Utah	813	117	2.3	16.3
March	KeyCorp, Albany, N.Y.	7,800	PacWest Bancorp, Portland, Ore.	674	76.3	1.7	19.8
March	KeyCorp, Albany, N.Y.	7,800	Seattle Trust & Savings, Seattle, Wash.	693	74	1.8	30.8
April	Rainier Bancorp, Seattle, Wash.	8,100	United Bank, Tacoma, Wash.	556	59	1.5	19.7
November	Security Pacific Corp., Los Angeles, Calif.	60,000	Orbanco Financial Services, Portland, Ore.	1,200	46.5	0.91	N.A.
February	Marshall & Ilsley Corp., Milwaukee, Wis.	4,700	Thunderbird Capital Corp., Phoenix, Ariz.	225	40	2.9	13.7
November	Security Pacific Corp., Los Angeles, Calif.	60,000	Nevada National Bancorp, Reno, Nev.	638.6	38	1.1	50.3
August	Pacific Western Bancshares, San Jose, Calif.	481	Cobanco, Santa Cruz, Calif.	474	34.3	1.2	16.7
January	SunWest Financial Corp., Albuquerque, N.M.	2,100	Rio Grande Bancshares, Las Cruces, N.M.	250	24.8	1.7	8.8
September	Security Pacific Corp., Los Angeles, Calif.	60,000	Diablo Bank, Danville, Calif.	110	18	2.4	20.3
January	KeyCorp, Albany, N.Y.	7,000	Citizens Valley Bank, Albany, Ore.	158	16.1	1.3	13.8
December	U.S. Bancorp., Portland, Ore.	9,000	Valley National Corp., Forest Grove, Ore.	93	13.7	2.3	32.5
September	Security Pacific Corp., Los Angeles, Calif.	60,000	California Pacific Nat.l. Bank, Los Angeles	82.7	11.5	1.5	28.3
November	State First National Bank, Texarkana, Ark.	393	American National Bank, Texarkana, Tex.	66	6	1.4	7.5
January	Zions Utah Bancorp, Salt Lake City, Utah	3,000	Mesa Bank, Mesa, Ariz.	30	5.2	2.9	17.3
September	Arizona Bank, Phoenix, Ariz.	3,800	Bank of Prescott, Prescott, Ariz.	24	4.8	2.8	15.1
September	Puget Sound Bancorp, Tacoma, Wash.	2,600	First State Bank, Port Orchard, Wash.	28	4.3	1.4	5.9
May	Rainier Bancorp, Seattle, Wash.	8,100	Mount Hood Security Bank, Gresham, Ore.	20.9	3.7	1.7	31.4
December	U.S. Bancorp, Portland, Ore.	9,000	Heritage Bank, Camas, Wash.	17.1	2.8	1.6	18.1
July	Puget Sound Bancorp, Tacoma, Wash.	2,600	Gig Harbor National Bank, Gig Harbor, Wash.	12.3	2.4	1.9	N.A.
May	Imperial Bancorp, Los Angeles, Calif.	1,600	National Bank of Arizona, Scottsdale, Ariz.	25	N.A.	N.A.	N.A.
July	Baker-Boyer Bank, Walla-Walla, Wash.	175	Bank of Commerce, Milton-Freewater, Ore.	45	N.A.	N.A.	N.A.
July	First Interstate Bank, Portland, Ore.	5,400	Timber Bancorp, Roseburg, Ore.	42.2	N.A.	N.A.	N.A.
July	Southwest Bancorp, Vista, Calif.	350	Pacific Western National Bank, Pico Rivera, Calif.	50	N.A.	N.A.	N.A.
September	Commercial Bancorp., Denver, Colo.	231.5	Rocky Mountain Bank & Trust, Fort Collins, Colo.	25.6	N.A.	N.A.	N.A.
November	Security Pacific Corp., Los Angeles, Calif.	60,000	Harbor Security Bank, Olympia, Wash.	10	N.A.	N.A.	N.A.
November	First National Corp, San Diego, Calif.	169	National Bancshares, La Jolla, Calif.	163	N.A.	N.A.	N.A.
November	First National Corp, San Diego, Calif.	169	Rancho Santa Fe Nat'l. Bank, Rancho S. Fe, Calif.	85.7	N.A.	N.A.	N.A.
November	First National Corp, San Diego, Calif.	169	National Bank, Fairbanks Ranch, Calif.	26	N.A.	N.A.	N.A.
November	Fresno Bancorp, Fresno, Calif.	116	Western Commercial Bank, Fresno, Calif.	160	N.A.	N.A.	N.A.
December	Valley National Corp., Phoenix, Ariz.	10,300	California Valley Bank, Fresno, Calif.	66.3	N.A.	N.A.	N.A.
December	Silicon Valley Bancshares, San Jose, Calif.	67.1	National InterCity Bancshares, Santa Clara, Calif.	39.9	N.A.	N.A.	N.A.

Four More Bank Failures Bring to Eight Number of Closures So Far This Year

By PAUL TOSTO
Washington Bureau

WASHINGTON — State regulators and the U.S. Comptroller's office shut down four banks last Thursday, doubling to eight the number of bank failures this year.

Officials at the Federal Deposit Insurance Corp. said that all deposits were covered in each of the actions.

In Latimer, Iowa, state regulators closed the Latimer Bank & Trust, an agricultural bank with $23 million in assets. Its three offices reopened on Friday as branches of the First National Bank of Clarion. Clarion took over about $21.9 million in 3,400 deposit accounts and will pay the FDIC a purchase premium of $121,000. Clarion also will purchase $15 million of the failed bank's loans and other assets.

The FDIC will take over about $8 million of Latimer's remaining assets and will advance $6.8 million to Clarion to help with the takeover.

Latimer was the first bank in Iowa and the second agricultural bank in the nation to fail this year. The State Bank of Cuba, in Cuba, Ill., with $17.5 million in assets, failed on Jan. 8.

Also last week, the Comptroller shut down two national banks in Oklahoma with assets totaling $25 million.

Deposits of the First National Bank of Rush Springs, in Rush Springs, Okla., were taken over by the First National Bank of Maysville, in Mayville. The failed bank's one office reopened on Friday. The failed agricultural bank held assets of $12.9 million and deposits of $12.5 million in about 3,000 accounts.

In Skiatook, Okla., the First National Bank of Skiatook closed. It reopened Friday as a branch of the American Exchange Bank, Collinsville, Okla. The Skiatook bank held assets of $14.8 million and deposits of $13.8 million in 2,500 accounts. American Exchange purchased $9.5 million of the failed bank's assets. The FDIC will advance $4.1 million to American and retain Skiatook assets of about $5.3 million.

On Jan. 8, the Security National Bank and Trust Co., Norman, which held $204.5 million in assets, became the first Oklahoma bank to fail this year.

In Colorado, the First Charter Bank of Denver, a $9.5 million institution, was closed last Thursday. Century Bank, based in Denver, purchased $6.3 million of the failed bank's assets, with the FDIC retaining the rest. First Charter held deposits of about $9 million in 1,900 accounts and was the second Colorado bank to fail this year.

With eight bank failures in two weeks, regulators do not expect the problems of the last four years to lessen.

"We don't expect to see a decrease in the number of failures" in 1987, said Lee Cross, a spokeswoman for the Comptroller.

The number of bank closings in January may be disproportionately high. Sometimes, regulators will postpone closing a bank until after the holiday season.

Last year, 138 banks across the United States failed, and 120 failed in 1985.

NY Public Pension Funds Can Invest in State Notes

Special to the American Banker

ALBANY, N.Y. — Public pension funds can continue to invest in notes and other interest-bearing obligations of the New York State Business Development Corp. until Dec. 31, 1988, under a new law signed by Gov. Mario M. Cuomo.

According to Gov. Cuomo, the state comptroller has agreed to invest $100 million in the corporation to assist in fulfilling its statutory mandate to stimulate business activity, maintain economic stability, and create jobs for New Yorkers.

"The bill will insure that funds become available to package financial assistance for small and medium-size businesses, particularly the minority and women-owned sector of the small business community," said Gov. Cuomo.

1986 Merger Agreements and Offers for Thrifts

Ranked by Purchase Price

Month	Acquirer	Size ($ Mil.)	Acquired	Size ($ Mil.)	Price ($ Mil.)	Price to Equity	Price to Earnings
October	Gibraltar Financial Corp., Beverly Hills, Calif.	11,000	First Savings Bank, Tarpon Springs, Fla.	800	116	1.6	20.0
July	Suffield Savings, Suffield, Conn.	295	Coastal Savings, Portland, Maine	191.2	52	2.1	23.6
September	Commercial Federal Corp., Omaha, Neb.	3,000	Empire Savings, Denver, Colo.	2,000	45	0.57	10.3
February	Bankers First Corp., Augusta, Ga.	1,200	Athens Federal Savings, Athens, Ga.	360.6	33.6	1.8	12.0
October	First Federal Savings, Pittsburgh, Pa.	2,500	Magnet Bank, Charleston, W.Va.	688	33.5	1.5	N.A.
September	Mid-State Federal Savings, Ocala, Fla.	743.9	First Federal Savings, Brooksville, Fla.	214.7	26.8	1.9	16.8
September	Great Western Financial, Beverly Hills, Calif.	25,400	Southern Home Savings, Pensacola, Fla.	233	25	1.5	5.6
August	Gibraltar Financial Corp., Beverly Hills, Calif.	11,000	Santa Clara Savings, Santa Clara, Calif.	350	16.5	1.6	5.3
September	Atlantic Financial Federal, Bala-Cynwyd, Pa.	5,000	Frontier Savings, Las Vegas, Nev.	319	11	1.3	5.1
May	Suffield Savings, Suffield, Conn.	295	Heritage Savings, Manchester, Conn.	309	9.2	0.82	14.8
October	ComFed Savings Bank, Lowell, Mass.	972	Heritage Savings, Manchester, Conn.	260	7.7	0.75	25.6
February	Old Stone Corp., Providence, R.I.	3,700	First Federal Savings, Shelby, N.C.	127	7.4	1.5	5.3
June	First Federal Savings, Santa Monica, Calif.	1,300	Del Amo Savings, Torrance, Calif.	85	7	1.7	31.7
May	Atlantic Financial Federal, Bala-Cynwyd, Pa.	5,000	North Coast Savings, Napa, Calif.	66	6	2.0	16.9
December	Bankers First Corp., Augusta, Ga.	1,200	Southeast Federal Savings, Rossville, Ga.	222	6	1.3	10.3
June	First Mutual Savings, Bellevue, Wash.	118.2	First Western Bank, Bellevue, Wash.	35.1	4.2	1.4	30.0
October	Atlantic Financial Federal, Bala-Cynwyd, Pa.	5,000	Uniontown Savings, Uniontown, Pa.	34	3.3	1.1	16.2
June	Apple Bank for Savings, New York, N.Y.	1,800	Eastern Savings Bank,Scarsdale, N.Y.	800	N.A.	N.A.	N.A.
July	Home Federal Savings, San Diego, Calif.	10,000	Upland Savings, Upland, Calif.	90	N.A.	N.A.	N.A.
July	CalFed Inc., Los Angeles, Calif.	20,200	La Jolla Pacific Savings, La Jolla, Calif.	42	N.A.	N.A.	N.A.
October	New England Savings, Clinton, Conn.	627	First Federal Savings, New Haven, Conn.	230	N.A.	N.A.	N.A.
November	Ameribanc Investors Group, Annandale, Va.	786	Lincoln Savings, Richmond, Va.	160	N.A.	N.A.	N.A.
December	Great Western Financial Corp., Beverly Hills, Calif.	25,400	Sun Point Savings, Lake Worth, Fla.	730	N.A.	N.A.	N.A.
December	Uptown Savings, Chicago, Ill.	865.6	Ben Franklin Savings, Oak Brook, Ill.	583	N.A.	N.A.	N.A.
December	Uptown Savings, Chicago, Ill.	865.6	Palatine Savings, Palatine, Ill.	155.5	N.A.	N.A.	N.A.

Suit Brings Shoreline Savings Loss; Other Western Firms Report Earnings

West Coast Bureau

LOS ANGELES — Several West Coast financial institutions, including H.F. Ahmanson & Co. and U.S. Bancorp, reported record earnings in the fourth quarter and in all of 1986.

But Shoreline Savings Bank, Seattle, reported a loss of $4.4 million, or $2.93 a share, in its fiscal second quarter, largely as a result of the settlement of a lawsuit against the bank by a major borrower that declared bankruptcy in 1984.

"Since that time, a variety of suits have arisen seeking to avoid liens, recover property in the bank's possession, restrict the bank's access to properties, and receive unspecified damages," Shoreline said in a statement.

In all, Shoreline boosted its loss reserve by $6.9 million in the quarter, including $2.9 million resulting from settlement. It said it had operating earnings of 600,000.

The quarterly loss compares with a loss of $1.2 million, or 80 cents a share, a year earlier. In the six months, Shoreline said it lost $4.7 million, or $3.12 a share, as opposed to losses of nearly $3 million, or $1.99 a share, a year earlier.

"Settlement of this litigation removes a major contingency from the bank, frees up assets, and allows us to move forward," said Lee Hare, president of the institution, which reported assets of $421 million and net worth of $8.9 million as of Dec. 31.

Ahmanson, the parent of Home Savings of America, said fourth-quarter profits rose 17% to a record $80.3 million, or 82 cents a share, from $68.9 million, or 82 cents a share, a year earlier. In all of 1986, earnings climbed 37% to a record $303.6 million, or $3.22 a share, from $220.8 million, or $2.63 a share, in 1985.

"Nearly $6 billion of loans and mortgage-based securities were sold," said Richard H. Deihl, chairman and chief executive officer of the Los Angeles-based company, which had $27.6 billion in assets as of Dec. 31. "Loan servicing revenues more than doubled. Deposit inflows exceeded $2 billion. Money costs were reduced to below 7%."

Ahmanson said it lost $18.6 million on the sale of certain insurance operations last year.

At U.S. Bancorp, Portland, Ore., fourth-quarter profits rose 12% to a record $21 million, or 69 cents share, from $18.8 million, or 63 cents a share, a year earlier. In the full year, the parent of U.S. National Bank said earnings advanced 16% to a record $77.2 million, or $2.56 a share, from $66.2 million, or $2.22 a share, a year earlier.

"Net interest income finished the year strongly as loan growth advanced late in the fourth quarter," said John A. Elorriaga, chairman and chief executive officer of the company, which had assets of $9.49 billion as of Dec. 31. "Solid gains were achieved in noninterest revenue, while noninterest expense was tightly controlled and virtually flat from the previous year."

U.S. Bancorp said nonperforming assets declined to $148.8 million at year-end, the lowest level in more than four years.

Among other western financial institutions reporting results, Bancorp Hawaii Inc., the state's largest financial institution, said fourth-quarter profits advanced 15.7% from a year earlier to $11.9 million, or $1.30 a share. In the full year, profits increased 19.8% to $46.2 million, or $5.07 a share.

The parent of Bank of Hawaii, with assets of more than $5 billion, attributed the improved results to a stable interest rate environment, asset growth, and "continued management emphasis on reducing nonperforming loans and controlling operational costs."

Also in Honolulu, First Hawaiian Inc. said fourth-quarter profits increased 1.3% to $8.1 million, or 60 cents a share; and climbed 13.2% in the full year to $30.8 million, or $2.30 a share. The parent of the state's second largest financial institution, First Hawaiian Bank, with more than $3 billion in assets, also cited an increase in interest-earning assets, noninterest income, and a low, stable interest rate environment for the improved results.

At Westamerica Bancorp., San Rafael, Calif., fourth-quarter profits increased 153% from a year earlier to $2.85 million, or $1.08 a share, and climbed 61% in the full year to $8.6 million, or $3.33 a share.

Westamerica, with assets of $1.18 billion, attributed the improved performance to its "ability to build high-quality earning assets on a strong capital base while gradually shrinking operating expense ratios."

Westamerica, which is being pursued by Security Pacific Corp., with which it is holding talks, said it expects to surpass last year's 0.80% return on assets and also expects to achieve "another year of double-digit growth in loans and deposits." ■

Robert Morris Opens Houston Office

By A. JOSEPH NEWMAN JR.

PHILADELPHIA — Robert Morris Associates, the trade organization of commercial lenders that is headquartered here, said it opened an office in Houston, its second regional office, as part of an effort to provide more local and regional educational offerings to members.

Regional executive Ann Spillane had been public affairs director at RepublicBank Houston. The new Southwest regional office covers Arizona, New Mexico, Texas, and Rocky Mountain chapters.

In 1985, Robert Morris Associates opened a Southeast office in Atlanta, headed by Karen Tinley, which covers Louisiana, Arkansas, Florida, Georgia, Alabama, Tennessee, and Mississippi. The organization plans to open additional offices across the country, but no timetable was given.

Malcolm T. Murray Jr., national president, told a press gathering that Robert Morris is seeking to educate members to be "sensitive . . . aware" of the need to understand the risks of accepting collateral that might turn out to include contaminated plant sites and hazardous industrial operations.

Mr. Murray, who is executive vice president of the First Union National Bank, Charlotte, N.C., a unit of the $27 billion-asset First Union Corp., suggested that banks consider naming "resident experts" or "environmental bankers," either part time or full time.

As part of its efforts, Robert Morris Associates for the first time will devote a full session to environmental problems at its annual conference in Hawaii in November. ■

Strategic Dates

Dec. 25, 1986

HOLIDAY: All Federal Reserve banks are closed for Christmas Day.

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus and the Prospectus Supplement.

January 13, 1987

$100,000,000

Pacific Collateralized Mortgage Obligation Trust I

(an affiliate of Pacific Realty Corporation, Dallas, Texas)

Collateralized Mortgage Obligations

The Collateralized Mortgage Obligations will be collateralized by FHLMC and FNMA Certificates.

	Principal Amount	Coupon	Price	Stated Maturity
Class A*	$35,980,000	7.707%	99.99391%	December 1, 2003
Class B	51,270,000	**	99.99208	April 1, 2011
Class C	6,750,000	8.755	99.99679	December 1, 2011
Class Z	6,000,000	9.000	90.78817	April 1, 2018

(Plus accrued interest from March 1, 1987)

*The Class A Bonds are Scheduled Monthly Payment Bonds ("SMP Bonds").

**The Class B Bonds are Ascending Coupon Bonds ("ACB Bonds"). The ACB Bonds will bear interest at a rate of 6.500% from March 1, 1987 through February 29, 1988, at a rate of 7.685% from March 1, 1988 through February 28, 1989, at a rate of 8.000% from March 1, 1989 through February 28, 1990, and at a rate of 9.000% thereafter.

Copies of the Prospectus and the Prospectus Supplement are obtainable in any State in which these securities may lawfully be offered from the undersigned and such other dealers as may lawfully offer these securities in such State.

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Germantown Savings Plans Stock Conversion

Special to the American Banker

PHILADELPHIA — The board of managers of the $1.4 billion-asset Germantown Savings Bank approved a plan to convert from a mutual to a Pennsylvania-chartered stock savings bank, subject to regulatory approvals.

The legal name of the 132-year-old bank is Saving Fund Society of Germantown and Its Vicinity.

No details were given on the amount of capital to be raised through the sale, or the price of the stock. Shares not subscribed to by depositors and the community will be sold in a public offering by an unnamed underwriter.

The conversion would leave only one mutual savings bank in Philadelphia — Beneficial Mutual Savings Bank.

Germantown's net worth of $41.5 million at yearend 1986 was up from $35.4 million at the end of 1985, indicating earnings of around $6.1 million. A net worth ratio of 2.95% included $17,680,000 in Federal Deposit Insurance Corp. net worth certificates.

Deals . . .

➳ **Continued from Page 19**

Will the acquisition wave continue?

One school of thought expects a significant drop in activity at least until the national triggers in several states take effect beginning in 1988. Mark Alpert, a bank analyst at Bear, Stearns & Co., noted that in recent months, the stock prices of large regional banks have fallen 15% to 20% from their 1986 highs as investors began to show their wariness about the effects of the bank merger wave. At the same time, sellers continue to expect high acquisition prices.

"Unless big banks' stock prices go up or smaller banks lower their price expectations, I think there will be a drop-off in activity," he said.

In contrast, Bradford M. Johnson, a bank analyst at Johnson, Lane, Space, Smith & Co. in Atlanta, said he believes that the recent decline in bank stock prices will cause acquisitions to be priced more reasonably and thus spur merger activity this year. ■

On Target . . .

➳ **Continued from Page 6**

one end of the country to another to show that Merrill Lynch brokers "know no boundaries."

Adweek grants that "it's a majestic beast, but it looks out of place posing on sandy beaches."

• "Most banal." To MasterCard International for ads featuring celebrities talking about "possibilities."

"Many people," says *Adweek*, "find the slogan 'Master the Possibilities' merely banal, since MasterCard really doesn't provide many more options than other major credit cards do." You can't sell what you haven't got.

The magazine particularly didn't like the choice of Robert Duvall, about whom one contest participant said, "Anything he has is nothing I want."

"Because this portrayal of prestige is so forced, William Esty's effort amounts to little more than super-hype," says *Adweek*.

At least it seems more relevant to the product than a big white horse running around in a fog, centerpiece of another MasterCard campaign.

Other categories and their winners were "nerdiest," to Burger King in its search for the Herb who never tasted one of its hamburgers; "most unbelievable," to Dow Chemical for trying to get people to believe it is trying to save humanity; and "most irritating," to Sine-Off for the ad depicting a drill sergeant screaming about sinus congestion.

Better luck next year. ■